

Exeter Dispensary Charity (“The Dispensary”)- Investment Policy - 21 November 2023

1. Introduction

1.1 The Dispensary is a Charitable Incorporated Organization formed in May 2020, whose purpose is to support people who are unwell and in need.

1.2 The financial objective of the Dispensary is at least to maintain the real value of the assets whilst generating a stable and sustainable return to fund grant making. The inflation measure most relevant to the Dispensary's expenditure is the Retail Price Index

1.3 The Dispensary has approximately £1.4 m of investment assets. These are the bulk of the charity's assets and finance the grant making activities.

1.4 The Dispensary aims to distribute grants of between £30K to £40K per annum but this can vary from year to year depending on grant making opportunities and investment return.

1.5 The trustees of the Dispensary have delegated decision making on investment matters to the Chair and Treasurer who act as an Investment Committee.

2. Investment Objectives

2.1 The Dispensary seeks to produce the best financial return within an acceptable level of risk.

2.2 The investment objective is to generate a return of inflation plus 4% per annum over the long term, after expenses. This should allow the Dispensary at least to maintain the real value of the assets, whilst funding annual expenditure in the region of 3% per annum.

2.3 The Dispensary adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to meet the budgeted grant making expenditure, in the long term the real value of the Dispensary will still be maintained in accordance with the investment objective above.

3. Risk

3.1 Attitude to risk

The Dispensary relies on the investment return to fund grant making. However, grants are generally one off awards and the number and value of these may vary depending on circumstances. The key risk to the long term sustainability of the Dispensary is inflation, and the assets should be invested to mitigate this risk over the long term. The trustees are able to tolerate volatility of the capital value of the Dispensary, as long as it is able to meet its short term grant making commitments through either income or liquid capital assets.

3.2 Assets

The Dispensary's assets can be invested widely and should be diversified by asset class, by manager and by security. Asset classes could include cash, bonds, equities, property, hedge funds, structured products, private equity, commodities and any other asset that is deemed suitable for the Dispensary.

The investment committee are charged with agreeing a suitable asset allocation strategy with the investment managers, which is set so as to achieve the overall Dispensary investment objective.

The trustees do not wish to invest further assets in property, given the existing direct exposure.

3.3 Currency

The base currency of the investment portfolio is Sterling.

Investment may be made in non-Sterling assets, but should not exceed 40% of the total investment portfolio value.

Hedging is permitted.

3.4 Credit

The Dispensary's cash balances should be deposited with institutions with a minimum rating of A- or invested in a diversified money market fund.

Deposits should be spread by counterparty, subject to a maximum exposure of £85k per institution.

Bond exposure should be focused on investment grade issuers.

4. Liquidity Requirements/Reserves Policy

4.1 The Dispensary aims to distribute grants of between £30k and £40k per annum. Whilst this can be funded from both income and capital, we aim not to spend the permanent endowment fund as that provides the necessary income for the grants.

4.2 It is the policy of the charity to maintain a balance on free reserves that equate to three months unrestricted payments. The trustees wish to keep at least 70% of the assets in investments that can be realised within three months.

5. Time Horizon

5.1 The Dispensary is expected to exist in perpetuity and investments should be managed to meet the investment objective and ensure this sustainability.

5.2 The Dispensary can adopt a long term investment time horizon.

6. Ethical Investment Policy

6.1 The Dispensary assets should be invested in line with its aims. The trustees do not wish to adopt an exclusionary policy, but individual investments may be excluded if perceived to conflict with the Dispensary's purpose.

7. Management, Reporting and Monitoring

7.1 The Dispensary has appointed a professional investment management firm to manage the assets on a discretionary basis in line with this policy. Investment managers provide custody of assets. Managers are required to produce a valuation and performance report quarterly. The Dispensary has nominated a list of authorised signatories, two of which are required to sign instructions to the investment manager.

7.2 The investment committee has responsibility for agreeing strategy and monitoring the investment assets. The committee meets six monthly to review the portfolio, including an analysis of return, risk and asset allocation. Performance will be monitored against agreed market benchmarks, and against the investment objective of inflation plus 4% over the long term. Each investment manager is required to present to the investment committee on an annual basis usually at the November Meeting of EDC Trustees.

7.3 The investment committee is to report formally to the full trustee board on at least an annual basis. This report should include a review of asset allocation strategy, performance, risk profile and consistency with long term investment objective.

8. Approval and Review

This Investment Policy Statement was prepared by the investment committee of the Dispensary to provide a framework for the management of its investment assets. It will be reviewed on an annual basis to ensure continuing appropriateness.

Approved by the Investment Committee

Signed

Chair of Trustees

Dated 21 November 2023

EDC